Quarterly WTO Newsletter from ICRIER

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WTO News & Views

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FROM THE DIRECTOR

The second issue of our WTO Newsletter focuses on the Hong Kong Ministerial Meet. The Hong Kong Ministerial meeting was perceived to be crucial for the progress of the Doha Development Round. ICRIER, along with Sir Ratan Tata Trust, arranged a seminar in Delhi just before the Ministerial to asses India's negotiating options going into the Honk Kong Ministerial. ICRIER organized another seminar to evaluate the outcome of the Hong Kong ministerial in which the Honorable Minister of Commerce Mr. Kamal Nath briefed the participants on the negotiating strategy adopted by India and the progress made in the Hong Kong Ministerial meeting. The newsletter carries a report on the Minister's speech. Also, in this of the Newsletter we carry a set of articles which analyse the outcome of the Ministerial and its policy implications for India. Your feedback on the Newsletter will be greatly appreciated.

Director & Chief Executive, ICRIER

LEAD ARTICLE

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SEMINAR

ICRIER-SRTT-MOC Seminar on Important Issues for India's Negotiations in WTO

Inaugurated by Mr. Kamal Nath, Minster of Commerce

ICRIER organized an interactive seminar jointly with the Ministry of Commerce and the Sir Ratan Tata Trust (SRTT) on 'Important Issues for India's Negotiations in WTO' on November 14, 2005. The objective of this seminar was to facilitate discussion on important negotiating issues before the Hong Kong Ministerial Meet of WTO to be held in December. Honorable Minister of Commerce Mr. Kamal Nath was the Chief Guest for the occasion. .

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We welcome any suggestions, inputs and feedback from our readers. You may write your comments to info@icrier.res.in.

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ICRIER organized a seminar on "India's achievements in Hong Kong Ministerial" on 26th December 2005. Minister of Commerce and Industry Mr. Kamal Nath and other eminent persons from academia, industry and NGOs participated in the seminar. Chairperson of ICRIER Prof. Isher Judge Ahluwalia chaired the meeting.

Honorable Commerce Minister Mr. Kamal Nath addressing the participants during the session.

The Minister spoke about India's gains at the just concluded WTO ministerial meeting in Hong Kong. Before discussing the achievements and failures of the ministerial meeting, he gave a brief review of India's negotiating strategy and described the six days of hectic negotiations and meetings at the ministerial of the World Trade Organization.

The Minister highlighted that prior to the Hong Kong Ministerial, the level of expectation about the Ministerial was low as there were too many contentious issues on the agenda. He pointed out that there were as many as 16 outstanding issues in agriculture alone. The uncertainty factor about the Ministerial was also higher as it was held under the auspices of the new Director General in WTO. The issue became more complex as the two big WTO Members – the EU and the USA- had new chief trade negotiators during the last one year.

Outlining India's negotiating strategy, the Minister told that his prime concern was to safeguard India's interest and the sensitivities of Indian people. To achieve this goal, he developed a two-pronged negotiating strategy where, on one hand, he built a coalition of developing and least developed countries and on the other hand, sought opportunities arising from differences in negotiating positions of the major developed countries. These efforts led to the positive outcome of the Hong Kong Ministerial which the Minister claimed can be regarded as a success for India and the developing world.

To elaborate his statement the Minister focused on three main issues - agriculture, non-agricultural market access (NAMA) and services.

The Minister highlighted that the biggest gain in agriculture has been to fix a final date for the elimination of all forms of export subsidies. It was decided during the July 2004 meeting of WTO that export subsidies are to be eliminated but that meeting did not provide a date for that. The Hong Kong Ministerial managed to reach a consensus that there will be "parallel elimination of all forms of export subsidies and disciplines on all export measures with equivalent effect" by the end of 2013. This, the Minister mentioned, will help reduce distortions of international farm trade and allow farmers from developing countries

to compete in the international markets from a more even platform.

He also pointed out that to protect the defensive interests of developing countries and India, the issues of 'Special Products' and 'Special Safeguard Mechanisms' (SSM) were addressed in the Hong Kong Ministerial. The Ministerial text allows developing countries to self-designate an appropriate number of products as 'Special Products'. Special products are those which have implications for food security, livelihood security and rural development in developing countries. It has been agreed that these products will be subject to lower or minimal tariff reduction obligations in the current round,. Regarding the SSM, the Minster drew attention to that fact that imposition of temporary safeguard measures, based on both price trigger and volume trigger, has been allowed in the Ministerial text. He stressed that securing of Special Products and Special Safeguard Mechanism will fully protect interests of farmers in India.

Another big achievement of the Hong Kong Ministerial was the LDC package, which among other things, allows duty-free and quota-free market access for products originating from LDCs in developed and some developing country markets. Also, the agreement on the issue of cotton subsidies, where developed countries have agreed to eliminate all export subsidies on Cotton by 2006 was highlighted as a fillip for poor cotton exporting countries from Africa. The Minister said that the LDC package and the agreement on cotton subsidies will help bring the development agenda back to the Doha Development Round.

On India's stand on NAMA, he informed that developed countries proposed the Swiss Formula with a single coefficient for NAMA whereas India proposed a formula with multiple coefficients. He stressed that there is need for developed nations to focus on reduction of tariff peaks and tariff escalations on products of export interest to developing countries. Notably, the Minister also indicated that the ABI formula (a variant of the Swiss formula proposed by Argentina, Brazil and India) for tariff reduction is still in contention. Mr. Kamal Nath also said that the Ministerial Declaration recognizes the special needs of developing countries and has allowed less than full reciprocity in reduction commitments and the flexibilities to exclude a certain percentage of tariff lines from tariff cuts.

Another important development in the NAMA negotiations was the formation of the NAMA 11 Group. This group would purrsue and integrate meaningfully 'Special and Differential Treatment' issues in NAMA. India, along with countries like Brazil, Argentina and South Africa are members of this group.

On the issue of services, he mentioned that there are only about 32 countries that account for approximately 80 percent of services trade. He pointed out that India's interest in services can't be the same as African countries. Rather India's service interests are centered on its two main trading partners, the EU and the US. He mentioned that in services, developing countries will have adequate policy space and necessary flexibility to pursue their developmental objectives. In this Ministerial negotiators will be guided to remove or substantially reduce the Economic Needs Test. Economic Needs test has been one of the principal barriers to export of services from developing countries, and has been a longstanding demand of India.

It was also agreed that the approaches to negotiations, which includes plurilateral negotiations, will follow the GATS Agreement and the Negotiating Guidelines and Procedures evolved in 2003. The Declaration does not introduce any compulsion on developing countries for opening up service sectors. Revised offers would be submitted by 31 July 2006, and final draft schedules would be readied by 31 October 2006.

He concluded that what the trade negotiators achieved at the Hong Kong Ministerial is quite satisfactory, and even what has been left to be discussed, the contours of those are shaped in a manner that is weighed in favour of developing countries.

When questioned about the some of the things that the Hong Kong Ministerial could not achieve, he pointed that not much progress took place on domestic support in agriculture and this will be one of the major challenge for developing countries in the forthcoming negotiations.

Ensuring a successful Doha Round

Even after Hong Kong, there's scope in the ensuing mini-ministerials to ensure convergence of positions

by Rajiv Kumar

Reports from the Hong Kong Ministerial reflect an uneasy last minute compromise reached to keep the door open for carrying forward the Doha Development Round to a possible successful conclusion within the year. It is a good idea to have smaller ministerial meets that focus on specific issues and bring about convergence of positions. So the real work still remains to be done, because in trade negotiations, whether bilateral or multilateral, the devil is in the detail. The Indian negotiating team, led by commerce minister Kamal Nath, has reportedly done remarkably well so far. It now has to make sure that in the ensuing mini-ministerials, they don't lose sight of India's real interests and of the possibility of using cross linkages **that are often essential to achieve these interests.**

The Doha Round has been a watershed in some ways, in the history of multilateral trade negotiations. It reflects emerging realities of a changing global economic and trading order. China, India and Brazil have been able to hold together a large enough number of other developing economies to effectively thwart a closed deal among the big-4 (referred in the past as the Advanced Quad). Apparently, there is also lack of convergence between the US and EU positions on a range of issues, including agriculture and services. India and other developing countries need to take advantage of these divergences within the big-4 and press for greater liberalisation in agriculture and services. Finally, for the first time, developed countries are on the defensive and seen to be supporting untenable positions.

There are, to my mind, three principal make-or-break issues facing this round. The first issue is of leveling the field in global agriculture by lowering import tariffs, eliminating export subsidies and minimising production subsidies within a given time frame. This is most important for the group of primary commodities' exporters, coming mainly from the least developed economies. The tentative acceptance by developed econo-mies to reduce export subsidies by a negligible amount and eliminate these by 2013 is not sufficient. Developing country coalitions must push for reducing domestic support in agriculture and working out a time frame for their elimination. Deve-loped economies need to demonstrate confidence in the global trading system for meeting their agriculture needs.

The second issue is greater liberalisation of services across all four modes of delivery. This is of significance to middle-income developing economies like India, China, Mexico, Philippines and Brazil, the main beneficiaries of outsourcing trends. They have the demographic profile for even greater potential benefits in future. Discussion on Gats should not remain confined to visa restrictions and recognition of degrees. Developing countries should demand further liberalisation of financial, health and transport services even under modes two and three, because our companies are now beginning to emerge as globally competitive both in domestic and overseas markets.

But the most important issue remains unfettered access to developed country markets for service providers relocating temporarily across borders. Developed country fears of social disruption can be addressed adequately by holding the firms exporting these services and skills responsible for the return of their employees after the visas expire. A mechanism backed by sovereign assurance and bank guarantees can be put in place.

Developed countries are keenest on greater market access for non-agriculture products covered under Nama. This is reflected in their espousal of the so-called Swiss formula, that requires greater tariff cuts by developing cou-ntries. Tariff cuts, we should note, apply to bound and not actual applied tariffs. This is clearly an area where some degree of freedom exists for most developing economies. This is specially true of countries like India and Brazil, where bound rates are significantly higher than applied rates.

Moreover, other developing countries will also do well to lower tariffs on manufactured imports to benefit from a more liberalised trading environment. But the plethora of NTBs, imposed by developed economies on developing country imports have to be eliminated as part of any deal on Nama.

So the contours of a workable deal are clearly present. Developing countries should agree to cuts in bound tariffs for manufactured goods, in return for an agreed timetable for achieving a level playing field in agriculture and further liberalisation in cross-border flows of skills and removal of existing non-tariff barriers in the developed country services sectors. Such a deal looks eminently reasonable. Yet, the Doha Round tethers on the brink of a breakdown. The reason for this appears to be the inability of developed countries to practice what they have preached for the past five decades that liberal markets are universally beneficial.

India, China and Brazil, acting together and representing unprecedented opportunities for developed country exporters and investors, can provide the necessary comfort to developed economies. The three can assure the developed countries that their fears of social disruption and national security can be appropriately addressed, as the larger developing countries recognise their responsibility in maintaining global, social, and political stability. And developed countries will have to recognise that sticking to a stand of protecting a way of life and resisting their transition to a post-manufacturing economy will be increasingly seen as unreasonable and an attempt to resist inexorable emerging trends in economic geography.

The critical point is that despite the spaghetti bowl of bilateral and regional trade, a multilateral trading regime, governed by the WTO, is still by far the best bet for all developing countries including India. It is in our interest to ensure that the Round succeeds. A lame-duck WTO will not serve anyone's interests.

The Significance of Services Negotiations and the Way Ahead

by Krishna Gupta

Globalisation, the Doha Round and the Hong Kong Ministerial:

Globalisation is a reality and is leading to a fast integration of world economies. This has thrown up a lot of challenges as well as opportunities, particularly in the area of services' trade. The effect has been that countries have been faced with new situations, whereby a number of services that were 'non-tradable' earlier can now could not be traded. Developing countries and LDCs are also faced with a number of regulatory challenges in the wake of increasing integration with the world economy. Be that as it may, the services sector has become an 'engine' of growth of the global economy and provides a lot of opportunities to developed and developing countries as also LDCs.

The services negotiations under the Doha Round are delicately poised after the Hong Kong Ministerial. There have been two distinct streams of public discourse in the run up to the Hong Kong Ministerial and thereafter. On the one hand, there is a view held mostly by business associations and developed countries, that ambition levels were greatly diluted and no new commercial opportunities will come forth. On the other hand, the opposite view, held mainly by civil society groups and developing countries, states that the developed countries have managed to get a mandate for plurilateral requests and compromise the flexibility available to developing countries under the GATS. The truth is somewhere in the middle. The Ministerial text does provide a mandate for plurilateral requests, but such a mandate already existed in the Guidelines and Procedures for the on Trade in Services adopted by WTO members in March 2001 (Para 11). As for the flexibility available to developing countries, this has been retained by affirming the primacy of the Request-Offer approach and preserving the architecture of GATS. A balance has therefore been struck between the concerns of the developing countries and

LDCs and the plea to raise the ambition levels in services negotiations.

Trade Policy does not operate in a vacuum and is inextricably linked with other areas of public policy such as environment, finance, agriculture etc. This has been acutely noticed in the services negotiations where services trade is associated with public policy in a wide range of areas such as civil aviation, power, environment, finance, law, accounting, information technology, telecommunications and agriculture etc. It is thus necessary that public policy issues in these sectors are also considered carefully while formulating trade policy. India has been doing so through extensive consultations with all the stakeholders including the government, civil society, industry associations and professional associations. India has also been actively involved in services negotiations at the WTO and has been arguing for more liberal commitments from developed countries in sectors and modes of interest to developing countries. In particular, effective market access in Mode 1 and Mode 4 across maximum sectors is a demand that India has been championing on behalf of developing countries.

The Revised Offers:

So far, 30 countries including India have submitted their Revised Offers. A number of initial offers and revised offers are still pending. Further, the Revised Offers have offered very few commercial opportunities and even two rounds of Offers have not proved satisfactory in meeting members' expectations. The chair of the Council for Trade in Services-Special Session has also acknowledged this and suggested intensive discussion on this subject.

India has a strong comparative advantage in services. It is this strength and global competitiveness that has guided the Govt's stance in the GATS negotiations at the WTO.

India submitted its Initial Offer in January 2004 and Revised Offer in August 2005. Our core objectives are liberalisation of Modes 1 (Cross Border Supply) and Mode 4 (Movement of Natural Persons) and disciplining of domestic regulations, which act as barriers to effective market access for service providers from India.

In our Revised Offer, we have not gone beyond the level of autonomous liberalization in any of the sectors, while expanding sectoral and modal coverage as compared to our Uruguay Round commitments. We have taken care to keep sensitive sectors such as Water, Retail, Legal Services, Postal Services and Accounting out of the offer. Even in Health and Education, only limited offers have been made, which are in line with domestic regulations in India such as registration requirements etc.

The developed countries could have taken the lead before Hong Kong by coming up with liberal offers in areas of export interest to developing countries, including Mode 4 and cross-border supply. This would have served to incentivise the Services negotiations and sent out a strong positive signal to developing countries. Unfortunately, there were only marginal or nil improvements from their Uruguay Round commitments. Some Members did include categories of personnel not linked to commercial presence like Contractual Service suppliers and Independent Professionals in their Revised Offers. However, there were serious shortcomings in these Revised Offers as well such as gaps in coverage of such categories, inadequate sectoral coverage, presence of unspecified and non-transparent Economic Needs Tests, labour market conditions like absolute wage parity and other restrictive conditions.

Since the quality of offers has been very poor, complementary approaches have been proposed in addition to the current Request-Offer method. On this, India's stand has been that such approaches should be consistent with the Negotiating Guidelines and Procedures and the basic architecture of the GATS, which provide flexibility to developing countries in taking commitments. The draft Ministerial declaration on Services has left out prescriptive measures such as numerical targets. It also mentions the need to discipline domestic regulations before the end of the current Round.

The Way Ahead:

In the Ministerial text, timelines have been set for plurilateral requests to be made (28th February 2005), a second round of Revised Offers (31st July 2005) and submission of a draft Schedule of Commitments (31st October 2005). In light of these timelines we need to begin

planning on the following lines:

- We need to identify sectors of our export interest in which plurilateral requests have to be made. Such requests have to be formulated collectively with other members who have a convergence of interests in areas of interest to us: namely Modes 1 and 4. Such requests would have to be formulated after consultations with all stakeholders including various Government Departments/Ministries, civil society groups, the academia, the industry bodies and professional associations.
- It is expected that plurilateral requests would also be placed on India, mainly in Modes 1 and 3 from developed countries. We can expect requests in sectors such as Telecom, Finance, Maritime, Environment, Retail.
- Getting binding commitments from developed countries in Modes 1 and 2 at current levels of market opening would ensure that our service providers are able to operate in a predictable policy environment. It would also rule out restrictive legislation by various countries in the future.
- In Mode 4, access for Contractual Service Suppliers (CSS) and Independent Professionals (IP) can be expected from developed countries. We need to secure the removal or substantial reduction of economic needs tests, obtain prescribed duration of stay and possibility of renewal of Visas so that our professionals are able to get effective market access to markets of the developed world.
- The development of disciplines in domestic regulations before the end of the current round is important for effective market access, particularly in Mode 4. It has been noticed that domestic regulations, especially qualification requirements and procedures, make it difficult for our service providers to access developed country markets, even if such countries have taken specific commitments. The development of disciplines would ensure that domestic regulations are not more burdensome than necessary and are applied in a non-discriminatory manner to all service providers.

As for the developed countries, the following steps would send a strong signal of their positive intentions and accelerate the negotiations:

- Given the overwhelming demand of developing countries for Mode-4 liberalisation, the developed countries must come forward with genuinely liberal Mode-4 offers to provide effective Market Access to service providers from developing countries.
- A number of developing countries are providing huge cost savings to businesses in the developed countries through outsourcing. This is also contributing to job creation and economic growth in such developing countries, making it a win win situation for all. It is, therefore, necessary to bind the present commitments in Mode-1 as also take new commitments in Mode-1 in areas such as health services, R & D services, etc. Further, commitments also need to be taken in such a manner that account for future technological developments in a number of sectors. This would not only provide more effective collaboration between developed and developing countries but also a more predictable environment for service providers from developing countries.
- We all recognize that globalisation is a reality and markets across the world are getting increasingly integrated. We also know that developing countries are evolving their regulatory frameworks to adjust to this increasing integration. It is, therefore, necessary to ensure that enough flexibility is available to developing countries in taking commitments. To do so, prescriptive approaches such as quantitative and numerical targets will not help.
- LDCs must be full partners in services trade. However, mechanisms are required to assist LDCs technically so that they become full and equal partners in world trade. For this, the LDC modalities need to be implemented fully and effectively.

Outcome of the Hong Kong Ministerial Meet of WTO: Implications for the Negotiations on Agriculture

by Parthapratim Pal

In the Doha Development Round of trade talks, agriculture has emerged as the most contentious issue for the negotiators. The debate in agriculture is mostly centered on the issue of huge domestic and exports subsidies given by developed countries to their farm sectors and the distortions they create in the international markets. The Hong Kong Ministerial has succeeded to make progress towards the elimination of some of these trade distorting subsidies.

One of the achievements of the Hong Kong Ministerial meet was that it managed to arrive at a consensus on the date of elimination of farm export subsidies in developed countries. Export subsidies are considered to be the most trade distortive form of subsidies and efforts were on in the Doha Development Round of trade talks to put an end to these subsidies. During the meeting of WTO negotiators in July 2004, in the so called "July Framework", Members agreed to "eliminate all forms of export subsidies and disciplines on all export measures with equivalent effect by a credible end date". But the end date was not specified in the July Framework and negotiations were on to arrive at a consensus on this issue. In the Hong Kong Ministerial, the negotiators have agreed to eliminate export subsidies by the end of 2013. Paragraph 6 of the Hong Kong Ministerial declaration says:

"We agree to ensure the parallel elimination of all forms of export subsidies and disciplines on all export measures with equivalent effect to be completed by the end of 2013." Paragraph 6, Draft Ministerial Declaration, WT/MIN(05)/DEC dated 22 December 2005.

Reaching a consensus on this issue is a positive step towards the reduction of trade distortion in agriculture. However, there is also a sentence in the same paragraph which makes this deadline conditional. It says: "The date above for the elimination of all forms of export subsidies, together with the agreed progressivity and parallelism, will be confirmed only upon the completion of the modalities". This means that the 2013 deadline for abolishing exports subsidies is still a tentative date and will only be confirmed when agreements about the modalities are reached. The Ministerial text suggests that modalities are to be established by April 2006.

The Hong Kong Ministerial text also mentions that elimination of export subsidies should be carried out in a "progressive and parallel" manner so that a substantial part of the reduction is realized by the end of the first half of the implementation period. Assuming that the implementation period starts in 2007 and lasts for ten years, this implies that 'substantial' reduction in exports subsidies is required only by 2012. As the date to end all export subsidies is 2013, this additional criteria of progressivity does not appear to be too imposing.

As a part of special and differential treatment, the HK Ministerial text allows developing countries to provide certain types of export subsidies for a period of five years after the date of abolition of export subsidies. The article 9.4 of the Uruguay Round Agreement on Agriculture allows developing countries to subsidize certain marketing and transport costs of farm exports. The HK Ministerial Declaration allows developing countries to continue these export subsidies till 2018 (or five years after the abolition of farm export subsidies).

The progress on export subsidies is a positive outcome of the Hong Kong Ministerial. However, it may not substantially reduce the distortions in agriculture substantially as little headway has been made on the issue of domestic support in agriculture. Domestic farm subsidies in developed countries are the main source of distortion in international farm trade and these subsidies amount to about 300 billion US Dollars. In comparison, total export subsidies and export credits given by developed countries sums up to less than 10 billion US Dollars. Hardly any progress has been made on the issues of reduction of domestic subsidies in the HK ministerial. Only notable progress in the issue of domestic farm subsidy has been that as a part of S&D treatment, developing countries which have with no commitments to reduce their AMS (Aggregate Measure of Support), have been exempted from reductions in *'de minimis'* subsidies.

As far as the sectoral initiative on Cotton is concerned, some positive developments have taken place in Hong Kong. If one recalls, one of the highlights of the Cancun Ministerial meet was a debate about how high subsidies given to cotton farmers by developed countries are adversely affecting cotton exporters from some West African countries. Benin, Burkina Faso, Chad and Mali pointed out that as a result of subsidies given to cotton in richer countries, exports of these four West African countries have suffered. They argued that subsidies given to farmers in developed countries induce overproduction of cotton in those countries. Data show that between 1997 and 2002, international prices of cotton have declined by 39 percent and cotton prices in 2002 were at a 30 year low. Declining international prices of cotton and increasingly lower price realization from cotton exports is hurting cotton exporters from developing countries.

It has been decided in Hong Kong that all forms of export subsidies for cotton will be eliminated by developed countries by 2006. The Hong Kong Ministerial text also indicates that there is a convergence towards a more ambitious elimination of trade distorting domestic supports for cotton. In this Ministerial, Members have agreed to reduce trade distorting subsidies for cotton at a faster rate and over a shorter period of time than other products. It is expected that abolition of cotton subsidies in developed countries will lead to a reduction in dumping of cotton by developed countries. For the cotton exporting countries from Africa, this agreement can bring significant benefits by improving their price realization and export revenues.

In agricultural market access, the most important achievement of the Hong Kong Ministerial has been in the areas of Special Products (SPs) and Special Safeguard Mechanisms (SSMs). SPs are agricultural products which are of particular importance to developing countries for reasons of food security, livelihood security and rural development. It has been decided in the current round of negotiations that SPs will attract lower level of tariff reduction commitment as opposed to other agricultural products. SSMs, on the other hand, are a set of provisions through which a WTO Member country can temporarily impose higher than bound tariff rate on the import of a particular product if there is a sudden surge of import of that product in the Member country. A similar provision called the 'Special Safeguards' (SSG) was available in the Uruguay Round AoA but only a handful of WTO Members were given the right to use it. The new SSM provisions will be available to all developing and least developed country Members of WTO.

In the HK Ministerial, developing countries have been allowed to "self-designate an appropriate number of tariff lines as Special Products". This implies that SPs will be chosen by developing

countries themselves based on the criteria of food security, livelihood security and rural development. As mentioned before, SPs will attract lower level of tariff reduction commitments in the forthcoming Agreement. The 'self-designation' of SPs will allow developing countries enough options to identify and protect some of their important crops and safeguard the vulnerable section of their farming community.

Similarly, the HK Ministerial text allows developing countries the right to impose SSMs based on both price and volume triggers. This means that developing countries will now have the option to temporarily impose higher tariff rates on the import of an agricultural product if there is either a surge in its import volumes or a dip in its import prices. If effectively implemented, these new provisions of SP and SSM will be extremely useful for India. But it will be important to device some objective criteria to determine the 'Special Products'. In a vast and diversified country like India, each region and state will have their own opinion about special products and it will be very difficult for India's negotiating position to have a very big list of such products. As Hoda (2005)[1] points out, if developing countries seek exemption from tariff reduction for a big list of Special Products, such exemption may have a big cost and can result in a steep lowering of the overall level of ambition in the agricultural negotiations as a whole.

Not much progress has been made in other areas of agricultural market access. Regarding the tariff reduction formula for agricultural goods, it has been decided that there will be four bands for structuring tariff cuts. However, the thresholds of these bands and the cuts applicable to each band have not been decided in the Ministerial.

Overall, it can be said that the Hong Kong Ministerial has been a modest success for negotiations on agriculture. The agreement on elimination of export subsidies, even though it has been watered down to some extent, can be termed as an achievement. Similarly, the agreements on faster reduction of cotton subsidies, provision of SPs and SSMs for developing countries are welcome steps. However, lack of any progress on the issues of reduction of domestic farm support in developed countries is definitely a shortcoming of the meet. Also not much progress has taken place in the area of agricultural market access. The Ministerial text recognizes these shortcomings and says "much remains to be done in order to establish modalities and to conclude the negotiations". It has also asked WTO Members to establish modalities by 30 April 2006. It must be remembered here that the Doha Round of negotiations have missed quite a few deadlines about finalizing the modalities text and it remains to be seen whether they can manage to honour the deadline this time.

If one looks back, the agenda of the Hong Kong Ministerial was overburdened with a host of issues and it was widely expected that the Ministerial is doomed to failure. It appears that the negotiators have kept the level of ambition at a low level to avoid a failure of the Ministerial. After the failure of the Cancun Ministerial and the slow progress of the Doha Development Round of trade talks made the success of the Hong Kong Ministerial extremely important for the credibility of the Multilateral Trading System. In this light, a moderately successful Ministerial can be seen as an acceptable outcome.

[1] Hoda, Anwarul (2005): 'Special Products: Options for Negotiating Modalities' ICTSD, 2005. Available at http://www.ictsd.org/dlogue/2005-06-16/Hoda.pdf

ICRIER-SRTT-MOC Seminar on Important Issues for India's Negotiations in WTO
Inaugurated by Mr. Kamal Nath, Minster of Commerce

ICRIER organized an interactive seminar jointly with the Ministry of Commerce and the Sir Ratan Tata Trust (SRTT) on 'Important Issues for India's Negotiations in WTO' on November 14, 2005. The objective of this seminar was to facilitate discussion on important negotiating issues before the Hong Kong Ministerial Meet of WTO to be held in December. Honorable Minister of Commerce Mr. Kamal Nath was the Chief Guest for the occasion. .

With a view to undertake an exchange of dialogue with the Minster of Commerce and other relevant ministries, an in-depth interaction on key issues relevant for the current round of negotiations was carried out on Agriculture & Non Agriculture Market Access, Market Access Negotiations in Services and distribution services in particular India's retail sector. The session on Negotiations was chaired by Dr. Isher Judge Ahluwalia, Chairperson, ICRIER. The seminar also discussed and disseminated some of the ICRIER research on key WTO related issues including Impact of Tariff Reforms, Cross Modal and Cross Sectoral Issues in Services, Trade Facilitation, Anti-Dumping and Subsidies in Services. This session was chaired by Mr. S. N. Menon, Commerce Secretary.

From L to R: Dr. Arvind Virmani, Director & Chief Executive, ICRIER, Prof. B. K. Zutshi, Former Indian Ambassador to GATT, Dr. Isher Judge Ahluwalia, Chairperson, ICRIER, Mr. Kamal Nath, Hon'ble Commerce Minister, Ministry of Commerce, Prof. Anwarul Hoda, Member, Planning Commission.

The Commerce Minister started his speech by stating that the awareness level of developing countries is much higher than the Uruguay Round with developing countries being more prepared and voluntarily engaged in the negotiations.

On Agriculture, Mr. Nath opined that it still remains the most distorted sector. It should be asserted that domestic support and subsidies area also an obstacle, since they are illegitimate instruments in a rule-based, fair and equitable multilateral system, and the sooner they are dismantled, the better. India is asking for a substantial cut in trade distorting domestic subsidies and eventual elimination of export subsidies. Tariffs remain the only instrument of protection and for safeguarding food and livelihood security and rural development. Appropriate policy space must be intrinsic to any agreement at Hong Kong and beyond. The discussion pointed out that India should be aggressive in Agricultural negotiations and tie up tariff reduction to subsidy reduction in developed countries. Mr. Anwarul Hoda, Member Planning Commission mentioned capping of high tariff lines is extremely important.

In NAMA, the Minister pointed out that India is seeking significant market access through reduction in tariff peaks and tariff escalation and reduction in non tariff barriers in the developed countries on products of our exports interest.

As India has already undertaken unilateral tariff cuts and is planning to bring the existing tariff to the ASEAN level, its bargaining strength in NAMA negotiations is quite high.

From L to R: **Dr. Rajiv Ahuja, World Bank, Mr. S. N. Menon, Commerce Secretary, Ministry of Commerce and Dr. Arvind Virmani, Director & Chief Executive, ICRIER.**

There is a misconception that only tariffs are an obstacle to Market access; it is the non tariff barriers which are gaining in significance.

Regarding Services, the Minister was of the view that India needs to open in some sectors to gain meaningful market access in Services in developed countries. Unfortunately, there is not much improvement in areas of interest to India viz. Movement of Natural Persons (Mode 4) and Cross Border Supply (Mode 1) in the offers, but discussions in the Friends Group co-chaired by India have been positive, and better results are expected. Mr. B. K. Zutshi, former ambassador to GATT, pointed out that India has the option and strategy for market access negotiations in services to leverage its market size and its reform process for its engagement in the services negotiations to secure access in sectors and modes of export interest to it in the members' markets. With the submission of the revised offer, we have started moving in the right direction. Mr. Kamal Nath added that coupled with market access (Mode 4) commitments, it is equally important to have disciplines on domestic regulations.

On the future strategy for liberalization in the retail services with respect to distribution services, it was emphasized that India has two alternative approaches: multilateral liberalization followed by unilateral liberalization (which improves the bargaining position but is has its risks), or vice versa. The Minister added that investment was needed for back-ended logistic management and foreign investment was required to supplement domestic investment.

INDIAN COUNCIL FOR RESEARCH ON INTERNATIONAL ECONOMIC RELATIONS
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